

## Message Text

CONFIDENTIAL

PAGE 01 TOKYO 07762 250945Z

10

ACTION EA-09

INFO OCT-01 EUR-12 NEA-10 ISO-00 XMB-02 EB-07 COME-00

TRSE-00 CIAE-00 INR-07 NSAE-00 /048 W

----- 062416

R 250840Z MAY 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 9469

INFO USINT BAGHDAD

USMISSION OECD PARIS

C O N F I D E N T I A L TOKYO 7762

PASS TREASURY AND EXIMBANK

E.O. 11652: GDS

TAGS: EAID, JA, IZ

SUBJECT: JAPANESE FINANCIAL ASSISTANCE TO IRAQ

REF: TOKYO 7313, 6585

1. SUMMARY: AS PREVIOUSLY REPORTED, JAPAN HAS AGREED TO ADDITIONAL \$1 BIL OF TIED CREDITS AT AVERAGE ANNUAL INTEREST RATE OF 6.3 PERCENT TO JAPANESE SUPPLIERS IN SUPPORT OF IRAQI PROJECTS. THIS MESSAGE CONTAINS MINISTRY OF FINANCE EXPLANATION OF HOW LOW RATE OF INTEREST IS CONSISTENT WITH EXPORT CREDIT AGREEMENT OF OCT 1974.

2. FINATT NOTED TO MOF OFFICIAL \$1 BIL OF NEW CREDITS TO IRAQ AT AVERAGE ANNUAL RATE OF INTEREST OF 6.3 PERCENT (SEE REFTELS) AND SOUGHT EXPLANATION OF HOW THIS WAS CONSISTENT WITH JAPAN'S AGREEMENT OF OCT 1974 THAT COMMERCIAL EXPORT CREDITS OF MORE THAN FIVE YEARS SHOULD BE NO LESS THAN 7.5 PERCENT. MOF DIRECTOR OVERSEAS PRIVATE INVESTMENT DIV (YAMAGUCHI) GAVE FOLLOWING EXPLANATION.

2. AT THE TIME OF THE OIL EMBARGO AND CRISIS IN LATE 1973-EARLY 1974, THEN ITI MINISTER NAKASONE REACHED  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 07762 250945Z

AGREEMENT WITH IRAQ FOR JAPANESE PARTICIPATION IN SIX

PROJECTS (FERTILIZER PLANT, LPG PETROCHEMICALS, EXPORT REFINERY, ALUMINUM SMELTER, CEMENT PLANT) (REPORTED 74 TOKYO A-133, FEB 25, 1974). JAPAN INITIALLY AGREED TO PROVIDE \$1 BIL IN CREDITS TO FINANCE CONSTRUCTION OF THESE PROJECTS, RECOGNIZING THAT COST OF THESE PROJECTS WOULD BE SUBSTANTIALLY LARGER. A FERTILIZER PLANT WAS FINANCED WITH A PORTION OF THE FIRST BIL DOLLARS IN CREDITS. THE ALUMINUM SMELTER PLANT WAS ABANDONED AS UNECONOMIC WHILE THE CEMENT PLANT WAS AWARDED TO ANOTHER COUNTRY. THE OTHER THREE PROJECTS HAVE BEEN ADVANCED DURING RECENT DISCUSSIONS (AND A FOURTH PROJECT, THERMAL POWER PLANT, WAS RECENTLY ADDED (SEE REFTELS).

3. YAMAGUCHI EXPLAINED THAT THE SECOND BILLION DOLLARS IN CREDITS TO IRAQ WAS THEREFORE MERELY A CONTINUATION OF A COMMITMENT ENTERED INTO BY THE GOJ PRIOR TO SIGNING OF THE EXPORT CREDIT AGREEMENT IN 1974. IF THE NEW GENTLEMAN'S AGREEMENT ON EXPORT CREDITS IS FINALIZED, JAPAN WOULD DECLARE THIS BIL DOLLAR CREDIT AS A PRIOR COMMITMENT.

4. YAMAGUCHI MENTIONED THAT EVEN AT 6.3 PERCENT THE NEW CREDIT TO IRAQ WAS A VERY SOFT LOAN AND HAD A LARGE GRANT ELEMENT, BUT IT WAS NOT NEARLY AS SOFT AS THE INITIAL BILLION DOLLAR CREDIT OFFERED AT AN AVERAGE RATE OF INTEREST OF 5.25 PERCENT.  
HODGSON

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, CREDIT, FINANCIAL PROGRAMS, INTEREST RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 MAY 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976TOKYO007762  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760202-0894  
**From:** TOKYO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760514/aaaaameo.tel  
**Line Count:** 87  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 TOKYO 7313  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 26 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <26 APR 2004 by ElyME>; APPROVED <27 APR 2004 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** JAPANESE FINANCIAL ASSISTANCE TO IRAQ  
**TAGS:** EAID, JA, IZ  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006